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Message Text

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50
ACTION EB-07

INFO OCT-01 ARA-06 EUR-12 ISO-00 AGR-05 TRSE-00 STR-01

COME-00 L-02 H-01 TAR-01 AID-05 CEA-01 CIAE-00 FRB-01

INR-05 NSAE-00 RSC-01 CIEP-01 SP-02 LAB-04 SIL-01

SAM-01 OMB-01 /059 W
---------- 015639
R 271423Z DEC 74
FM AMEMBASSY STOCKHOLM
TO SECSTATE WASHDC 3568
INFO AMEMBASSY BONN
AMEMBASSY BRASILIA
AMEMBASSY BRUSSELS
USMISSION EC BRUSSELS UNN
AMEMBASSY CARACAS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY HELSINKI
AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY REYKJAVIK
AMEMBASSY ROME
AMEMBASSY THE HAGUE

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E.O. 11652: N/A
TAGS: ETRD, EC, SW
SUBJECT: EC EXPORT SUBSIDIES ON APPLES

REF: STATE 272508; EC BRUSSELS 9938;
GEWECKE/MCDONNELL TELECON DECEMBER 20

1. BECAUSE DECEMBER 20 WAS FIRST DAY OF SWEDISH IMPORT
SEASON FOR APPLES, EFFECT OF EC EXPORT SUBSIDY HAS NOT YET
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BEEN DEMONSTRATED. HOWEVER, TORE HAMBERG, BUREAU DIRECTOR

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IN FOREIGN TRADE AREA OF NATIONAL AGRICULTURAL BOARD (STATENS JORDBRUKSNAMND) THOUGHT THAT SUBSIDY, STRONGLY PROTESTED BY SWEDISH GROWERS, WOULD PROBABLY NOT HAVE APPRECIABLE EFFECT, A CONCLUSION SHARED BY TWO LEADING IMPORTERS WITH WHOM EMBASSY TALKED. FOR EXAMPLE, BUYER FOR ICA, LARGEST RETAIL FOOD CHAIN IN SWEDEN, TOLD EMBASSY THAT HIS FIRM WILL BUY ABOUT SAME QUANTITY OF AMERICAN APPLES THIS IMPORT SEASON AS LAST.

2. CIF PRICE OF US GOLDEN DELICIOUS FANCY APPLES NOW AVERAGES SKR 2.45/KG COMPARED TO SKR 1.57/KG FOR FRENCH GOLDEN DELICIOUS (FIRST CATEGORY) AND SKR 1.47/KG FOR HUNGARIAN RED DELICIOUS (STAR KING). CURRENT DIFFERENTIAL BETWEEN PRICE OF FRENCH AND HUNGARIAN APPLES ON ONE HAND AND US APPLES IS ACTUALLY SLIGHTLY NARROWER THAN PRICE GAP IN FIRST QUARTER OF THIS YEAR. EC SUBSIDY AMOUNTS TO SKR 0.15-0.17/KG.

3. EMBASSY FINDS IT DIFFICULT TO ISOLATE SUBSIDY EFFECT FROM OTHER FACTORS THAT MAY INFLUENCE DEMAND FOR AMERICAN APPLES. SHORT WESTERN EUROPEAN APPLE HARVEST THIS FALL COULD STRENGTHEN DEMAND FOR US APPLES DESPITE PRICE DIFFERENTIAL. WE WOULD EXPECT THIS EFFECT TO BE NOTICEABLE LATER IN SEASON WHEN EUROPEAN SUPPLIES ARE EXHAUSTED. ON THE OTHER HAND, HIGHER PRICES OF ALL GOODS AND SERVICES IN SWEDEN THIS YEAR MAY BE MAKING PEOPLE INCREASINGLY COST-CONSCIOUS; IT IS POSSIBLE THEREFORE THAT MANY BUYERS WILL PREFER CHEAPER EUROPEAN APPLES TO AMERICAN, WHILE THEY LAST.

4. A WEIGHTIER INFLUENCE ON CONSUMER DEMAND THAN EC EXPORT SUBSIDY MAY BE 43 PERCENT INCREASE THIS SEASON OVER LAST IN SUBSTANTIAL FREIGHT COSTS FOR AMERICAN APPLES. FREIGHT NOW AMOUNTS TO SKR 4.80 PER BOX OF 19 KG COMPARED TO SKR 3.34 LAST SEASON. STRAUSZ-HUPE

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